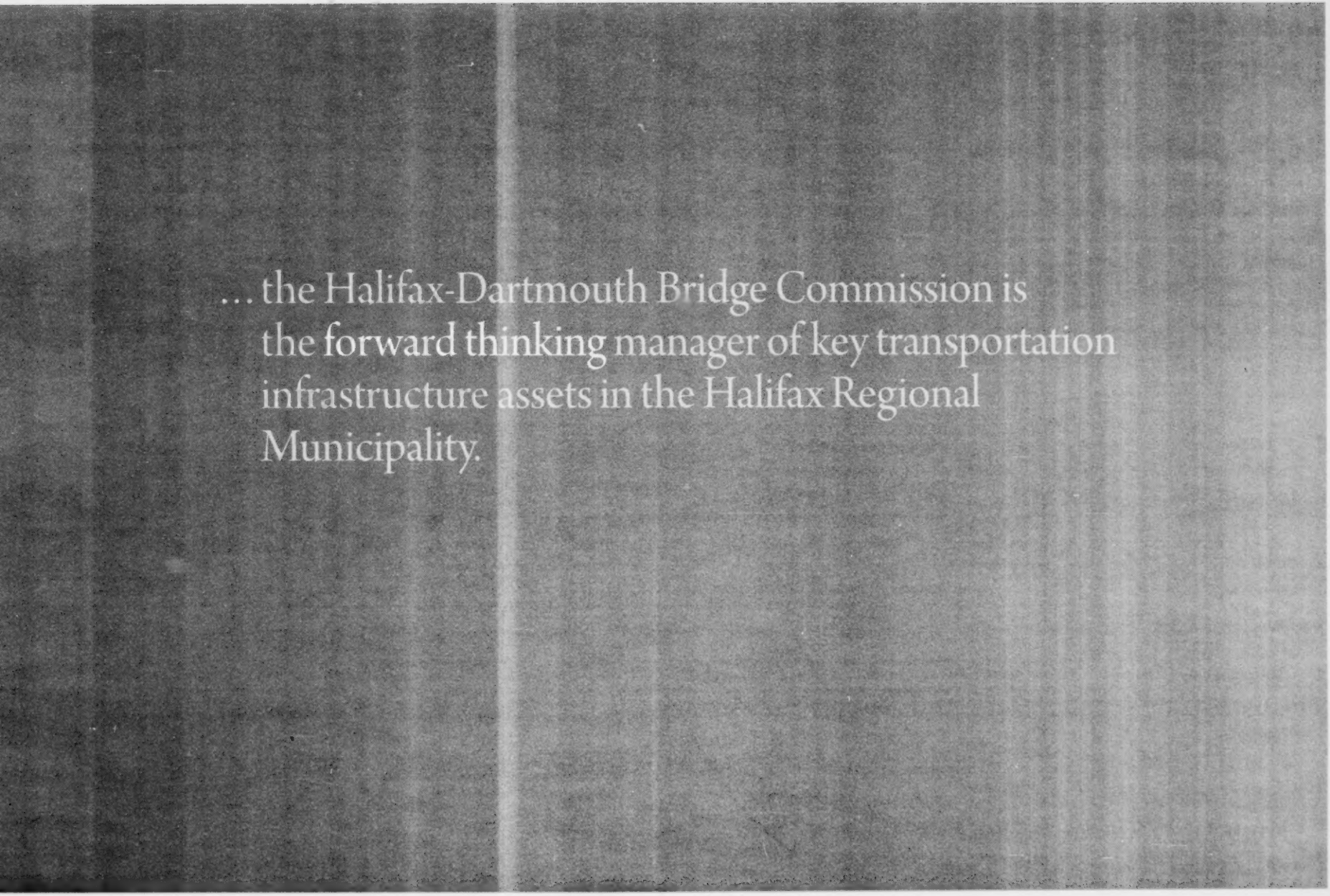
Looking toward the future ...


... the Halifax-Dartmouth Bridge Commission is
the forward thinking manager of key transportation
infrastructure assets in the Halifax Regional
Municipality.

OUR VALUE STATEMENTS

In conducting our business the Halifax-Dartmouth Bridge Commission is guided by these values:

BUSINESS MODEL
Our business model is based on user pay for services they receive at a reasonable cost. We use our profits for sustainability.

CUSTOMER FOCUS
The Commission management and staff will provide prompt, effective services to our patrons.

COMMUNICATIONS
Our communications are based on trust, mutual respect, openness, and clear and reliable information.

COMMUNITY
We are the major physical connection between two communities. We practice ecological, sociological and fiscal responsibility in our communities. We provide active transportation opportunities.

DECISION MAKING
Our employees are a most valued asset. We value their years of dedicated service and contributions. They provide the Commission and our patrons with ongoing exemplary service.

FUTURE GENERATIONS
Our revenue goes to the maintenance of our current assets and the future assets that our customers need.

LEADERSHIP
Our leaders are competent, energetic, and focused on a clear direction for the Commission.

TEAM WORK
Our team approach ensures that all members are working towards a shared vision, mission, values and goals.

SAFETY
Safety is a fundamental value and focus of the Commission.

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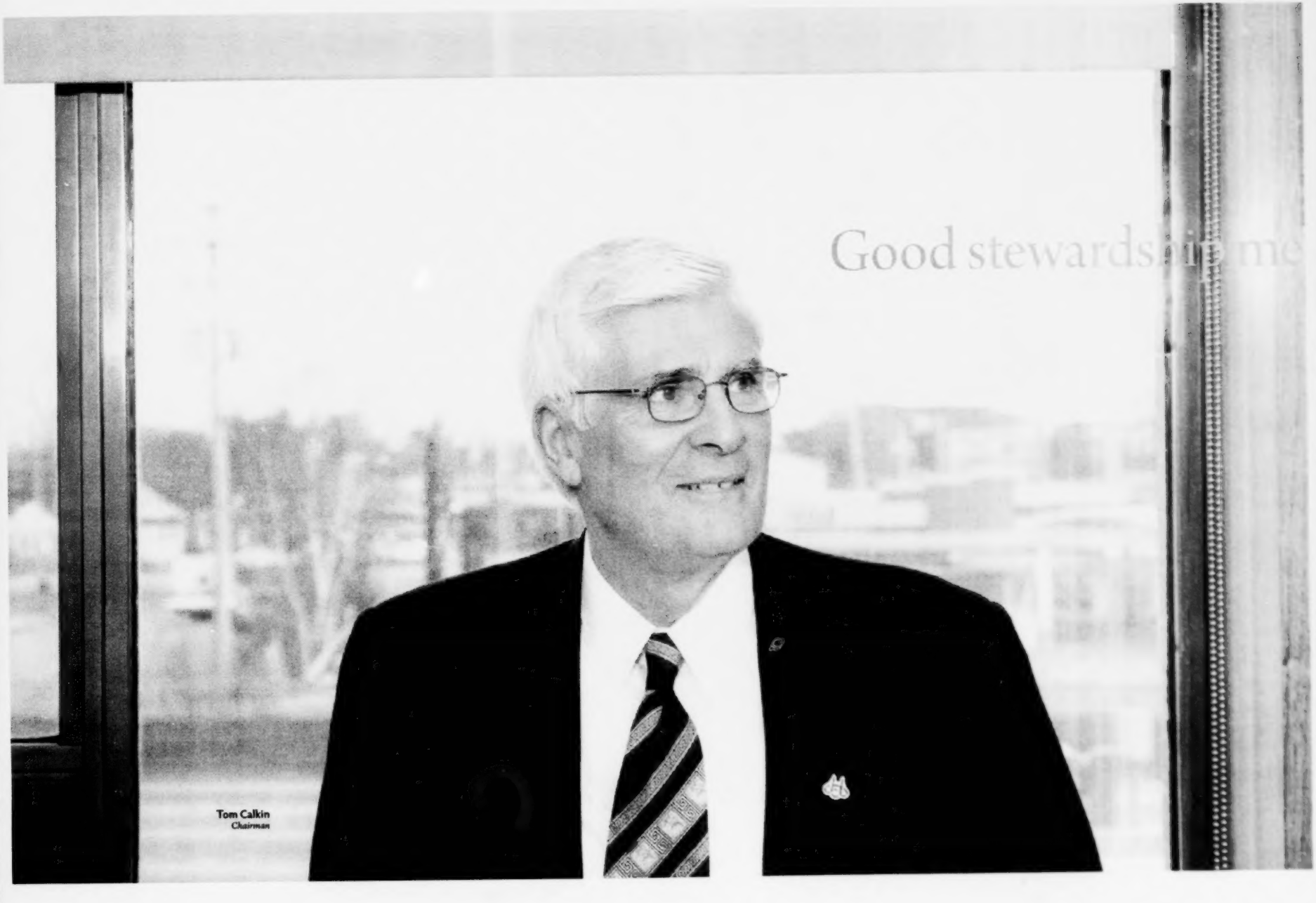


Tom Calkin
Chairman

ans staying ahead of the problem.

IN MY MESSAGE TO YOU TWO YEARS AGO we were celebrating the 50th anniversary of the Angus L. Macdonald Bridge and putting plans in place for the next 50 years. Last year I wrote about the positive impact these two bridges have on the quality of life and the economy of our region.

This year I want to introduce the theme of stewardship—particularly the role we have at the Bridge Commission to be responsible stewards of the environment in which we live, work and play as residents of the Halifax Regional Municipality (HRM), and of Nova Scotia.

Our Story

The story of most cities or regions like ours is that they have waited until traffic congestion reached a critical stage before seeking to address the problem. Many have waited too long, experiencing gridlock and the social and economic upheaval it brings with it, before introducing measures to improve service or provide alternate options for the travelling public.

That is not the story of the Halifax-Dartmouth Bridge Commission or, I believe, of the HRM. Over the course of our history at the Commission we have engaged in strategic planning and forward-thinking initiatives, including:

- In the late 1960s our local community and politicians decided to add a second bridge to meet the growing needs of our region, and the MacKay Bridge opened in 1970;
- In view of the growing traffic delays caused by population growth in HRM, a third lane was added to the Macdonald Bridge in 1999;
- The introduction of electronic tolling in 1998, with *MACPASS*, has helped improve the flow of traffic. Recent changes and enhancements to the *MACPASS* system will provide us with the foundation and flexibility to try new and innovative tolling techniques in the future; and,
- In 2007 we made a significant change to the Halifax approach to the MacKay Bridge to add capacity and help ease congestion.

According to a 2005 traffic study, there are very few other projects we can undertake to help further ease congestion on the two existing bridges. Changes to manage traffic demand now and in the medium-term will therefore be less about the infrastructure on, or approaching, the bridges.

It will take the leadership of governments, with support from businesses and the residents of our region, to fundamentally address this growing challenge through policy and societal shifts. We know there is a high degree of recognition of this within government.

Growing Traffic Congestion & Demand

In response to growing traffic congestion, the Commission tendered a proposal for a needs assessment about the capacity of the two cross-harbour bridges to handle traffic volumes now and into the future. The *Cross-Harbour Traffic Needs Assessment* report was completed and released for public discussion in March 2008. Conducted by McCormick Rankin Corporation, the study indicates that HRM may have need of a third harbour crossing as early as 2016, and very likely by 2026.

We have been clear that this report is not a blueprint to build a third harbour crossing. It is a very thorough report that offers an analysis and options for the politicians, business community and bridge users to consider.

The Commission has referred the report to the Strategic Joint Regional Transportation Planning Committee (SJRTPC), which includes representatives of the Province of Nova Scotia, HRM and transportation users. This committee will then be able to consider the results of this study as part of the broader transportation planning initiatives that are now, or will soon be, underway. From the perspective of the report we also believe the SJRTPC should have representation from the federal government.

This study makes clear the challenge facing transportation planners and users of the Halifax Harbour bridges. It illustrates the need for a coordinated approach to transportation demand management in our region, and province, in the coming years.

Seeking Sustainable Solutions

As responsible stewards of our environment, and as the overseers of two key transportation links in this province, we cannot overlook the impact that growing congestion on the bridges and bridge approaches has for our environment, or our economy.

One of the most consistent issues to be raised in this discussion is the impact that public transit can and will have on reducing single-passenger vehicle traffic in HRM. We believe, and see great opportunity for, a world-class transit system in this municipality. But let there be no doubt: we have a long, long way to go to achieve this goal.

Good stewardship means staying ahead of the problem. And we are.

We are investigating various options for transportation demand management (TDM)—which means taking steps to lessen the demand for use of single-passenger vehicles and for transportation infrastructure like the harbour bridges.

One example of this is variable pricing. Toll facilities charge different rates for people using the bridges based on the time of the day or the number of passengers in the vehicle. Another example that could be considered, in conjunction with HRM, is cordon tolling. Cordon tolling involves charging a fee to enter or drive within a congested area.

Yet one more example is to make better use of the wonderful facilities that exist for cyclists and pedestrians to increase the usage of the Macdonald Bridge for active transportation.

By seriously considering TDM options in place in other cities around the world, we can make further efforts to deal with growing congestion and spread the peak-hour demand on the bridges to delay the need for other solutions, such as a third harbour crossing.

Promoting Safe, Efficient Crossing

2007 was an important year in our continued work to provide safe, efficient transportation options to all of our patrons—commuters, businesses, pedestrians and cyclists.

Early in the year we received final approval from the Nova Scotia Utility and Review Board to eliminate tokens and make substantial improvements to the *MACPASS* system, including a move to axle-based tolling.

We also view good stewardship as being about maintaining the physical and financial health of the bridges.

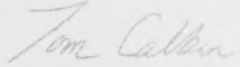
We were pleased to announce this year that in re-financing our debt, we have cut it in half—to just over $60 million. This represents the cost of adding the third lane to the Macdonald Bridge, meaning we have paid off the original bridges, and are now working to maintain them in good working order.

To that end, one significant project that we know will require additional funding is for the re-decking of the suspended spans on the Macdonald Bridge in the next several years. Essentially, we need to replace the deck.

It is this kind of planning, and preparation for the future, that typifies the work of the Commission, and that sets out the challenge ahead for us, the HRM and the province of Nova Scotia.

Working together, and staying ahead of the congestion challenges we face, is what will form the basis of the next chapters in our story.

Respectfully submitted,



Tom Calkin, BSc.C.E., M.B.A., P.Eng., CMC
Chairman, Halifax-Dartmouth Bridge Commission

Steven Snider
General Manager & CEO

MESSAGE FROM THE CEO

THERE ARE TWO THINGS that can define an organization as large and as varied in its operations as the Halifax-Dartmouth Bridge Commission. Those are:

- How well it plans for and anticipates the future; and
- What it does with the results of that strategic planning—how it acts in the best interests of the travelling public to maximize the possibilities, and minimize the challenges, brought forward through those planning processes.

The year we have just been through was one in which the Commission experienced —and carried out with great effectiveness—these twin processes of continued forward planning, and leveraging the results of past strategic planning activities.

During my 14 years working as the General Manager and CEO of the Commission, I have come to learn that effective forward-thinking is the ability to look beyond the circumstances facing you today and see what requirements are needed to sustain for tomorrow what we are doing today.

In 2007, we marked several significant milestones. You will learn more about some of them through the course of this report. However, I want to draw a few specific ones to your attention.

In some corners of the HRM and Nova Scotia there lingers a decades-old perception that the Commission is not fiscally well-managed. This year we demonstrated that our record of fiscal management is second-to-none across government, by retiring half the debt owed by the Commission. As a result of foresight and planning, over the course of just eight years, we reduced our debt from $123 million to $60 million.

We reduced our debt significantly while making the necessary investments in ongoing maintenance—a delicate balance given the focus on Nova Scotia as the province with the most aged infrastructure in the country.

We work hard to achieve this objective to ensure the Macdonald and MacKay Bridges remain two of the best maintained bridges in North America.

Another significant milestone, and one which is a major focus throughout the course of 2008, is the implementation of the Nova Scotia Utility and Review Board decision to eliminate the use of tokens.

As of May 1, 2008, bridge patrons will either use cash or *MACPASS* to cross the bridges, the $30 transponder deposit will be removed and we will implement axle-based tolling. For almost 10 years we watched token use decrease as *MACPASS* use increased. Three years ago, we began planning to make the transition, and we are now very comfortable that *MACPASS*, by far the most efficient way to pay the tolls, is the preferred method of toll payment.

A significant amount of time and effort was devoted to ensuring the new *MACPASS* system provides real value for the travelling public and we feel strongly the changes will make it even easier to cross.

Finally, in 2007, the Commission was heavily engaged in supporting the work of consultants McCormick Rankin Corporation as they undertook a long-term strategic planning process to look at cross-harbour capacity. This process marks another important element of forward-thinking on behalf of the Commission, and we will be looking to make significant contributions to the discussions and actions around transportation demand management in the years to come.

Our achievements in 2007 were the result of acting on strategic planning that began, in some cases, more than a decade ago. As we look ahead to the next decade or more of the Commission's operations, we feel a sense of opportunity, and know that our work to date will stand us in good stead to take advantage of the opportunities of the future.

Steven Snider
General Manager & CEO

Q: How long does it take to paint the

Andrew Brooks
Paint Supervisor

harbour bridges?

PROACTIVE MAINTENANCE

The objective of the maintenance program is to ensure the bridges are well-maintained and structurally sound.

THE TWO HARBOUR BRIDGES are inspected to the highest standards. Each year they receive a rigorous visual inspection to ensure all maintenance requirements are identified and proper action is taken. The annual inspection determines the course of action for the current year and forms the basis of the three-year maintenance plan.

2007 was a year of major maintenance projects. 2007 marked the most construction on the two bridges since the completion of the third lane project on the Macdonald Bridge in 1999.

In 2007 the Commission modified the Windsor Street/Robie Street merge. A lane was added to the Windsor Street/Kempt Road merge and the Barrington Street ramps were shifted over to suit. These changes reduced congestion considerably by replacing a merge with free flow and adjusting the ramp configurations to suit the demand. These improvements were identified in the 2005 Bridge Capacity Study as the last significant change the Commission could implement to help ease congestion on the MacKay Bridge.

In 2007 we began painting the main cables on the MacKay Bridge, using the cable crawler for the first time. The cable crawler is a device that climbs the main cables while carrying painters, providing safe access. We repaired the curbs on the North-side of the MacKay Bridge Halifax approach spans and replaced the guardrail from the toll plaza to the abutment (beginning of the bridge).

In 2008 the maintenance plan includes many more projects, some of which include resurfacing on Highway 111, and refurbishment of the Princess Margaret Boulevard, CN, and Windmill Road overpasses. The Province of Nova Scotia recently concluded the transfer of the Victoria Road interchange to the Commission, the upgrade and repair of which will be a focus of our 2009 plans.

A: It takes almost 40 painters working from May to October each year for three years to complete one paint cycle for the Macdonald and MacKay Bridges.

Q: How much money does the Commission

FISCAL MANAGEMENT

The objective of fiscal management at the Halifax-Dartmouth Bridge Commission is to ensure the Commission's financial stability through sound financial planning and efficient management.

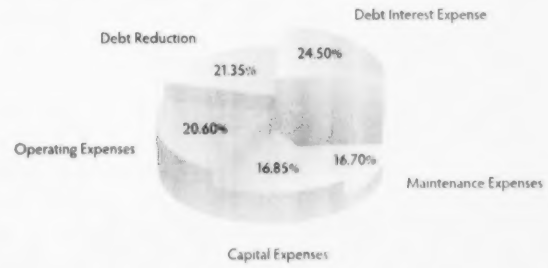
BY CAREFULLY MANAGING its cash flow, generated by toll revenues, the Commission is able to ensure that the bridges are well maintained and structurally sound for both current users and future generations.

In December, 2007, with the maturing of the Toll Revenue Bonds Series 1 and the line of credit with the Province of Nova Scotia, the Commission significantly decreased its debt from $123 million to $60 million. This new financing of $60 million was done through the Province of Nova Scotia and will mature in December, 2019. The $60 million debt will be repaid by annual payments of $3 million and a balloon payment of $24 million in 2019. By financing through the Province of Nova Scotia the Commission will no longer be in the public domain and therefore will have no bondholders.

The Commission takes great pride in its financial stability and of its bond ratings of AA- (stable) by Standards and Poors Rating Agency and AA (low) from Dominion Bond Rating Service. It is the goal of the Commission to maintain these bond ratings into the future.

Through sound budgeting the Commission is able to meet all financial commitments including its annual operating and maintenance budget, annual interest payments and plan for current and future capital projects.

How Your Toll Dollars Were Spent in 2007



receive from government?

A: None. The Commission is a government agency that reports to the Department of Finance yet receives no funds from any level of government. The Commission is self funding by collecting tolls.

Q: What safety measures does the Commission

SAFETY, SECURITY AND EMERGENCY PREPAREDNESS

The goal of safety, security and emergency preparedness is to ensure the safety and security of the travelling public and employees through ongoing reviews and the implementation of the Commission's policies, procedures and initiatives. In 2007 several key initiatives were taken to achieve these objectives.

IN LATE 2006 an operational staffing review identified a requirement for a Corps of Commissionaires Nova Scotia (CNS) senior management presence during all operational hours. In August 2007, four members of CNS were promoted to senior management positions at the rank of Chief Warrant Officer (CWO) with an increased emphasis on safety, security, emergency preparedness and response. The CWOs are fully responsible for the day to day operation of both bridges with the authority to make decisions to ensure the mission of the Commission is met. These positions are staffed on a 24/7 basis and has resulted in a notable improvement in the daily operations.

To minimize congestion and delays due to restricted access on the MacKay Bridge, the Commission initiated a major capital project to install six variable message signs at strategic locations on the approach roads to the bridge.

The signs will display real time information about construction projects, weather conditions or vehicle accidents to motorists allowing the driver sufficient time to choose an alternative route. The first three signs will be installed in 2008 at the Halifax-end of the MacKay Bridge for vehicles bound for Dartmouth. The three remaining signs will be installed in 2009 on the Dartmouth-end of the bridge for Halifax bound traffic.

Since 1997 the Commission has used various speed enforcement tools to control excessive vehicle speeds and traffic violations. In 2007 the Bridge Police issued 1,055 summary offence tickets and warnings for various traffic violations, including speeding and overweight vehicles under the Nova Scotia Motor Vehicle Act and the Halifax-Dartmouth Bridge Commission by-laws. An increased Halifax Regional Police and Bridge Police presence including traffic enforcement initiatives have resulted in an average speed on the Macdonald Bridge of 58.09km/h and 75.67km/h on the MacKay Bridge.

In 2008 the Commission will hire a safety officer who will develop and implement all safety and environmental policies, procedures and programs throughout the Commission to eliminate workplace hazards and ensure the Commission operates in compliance with all regulatory safety and environmental regulations, standards and codes. This person will also be responsible for demonstrating and reflecting management's strong commitment to safety by conducting safety audits at all facilities to reduce and eliminate workplace hazards and ensure safety policies and procedures are followed.

take to ensure the safety of the travelling public?

A: The two bridges are among the safest and best maintained pieces of infrastructure in Nova Scotia. Safety measures include: wind detection system, mobile speed radar, ice detection sensors, bridge police, cameras and 12 emergency telephones on the Macdonald Bridge.

EFFICIENT TRANSPORTATION

Efficient transportation within the Halifax-Dartmouth Bridge Commission means using technology and traffic management tools to provide efficient toll collection, reduce traffic congestion and accommodate future traffic growth. In 2007 the Commission made significant strides to achieve these objectives.

THE COMMISSION RECEIVED APPROVAL from the Nova Scotia Utility and Review Board (NSUARB) to eliminate tokens, move to axle-based tolling and remove the $30 deposit for *MACPASS* transponders. These changes will help make crossing the harbour bridges easier and more efficient for the travelling public.

In 2008 the Commission will adopt an automated vehicle classification system based on vehicle axle count, replacing the current registered gross vehicle weight system. Axle-based tolling applies the toll based on the number of axles per vehicle. It is the North American industry standard and is a more fair and equitable way to determine the toll to be charged to a vehicle when driving through the toll plaza.

Automatic vehicle classification will also allow the Commission to evaluate additional tolling efficiencies including open-road tolling or express lanes.

The implementation of a new *MACPASS* system provides improved on-line account management for the customer and significant improvements to internal account management both of which will increase customer service levels.

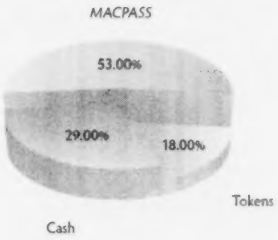
With the changes to the *MACPASS* system, transponders will not be vehicle specific. The rate is determined using dual tire and axle-counting sensors as the vehicle passes through the lane.

Since the introduction of *MACPASS* in 1998 token use has steadily declined. At the end of 2007 only 18 per cent of customers used tokens compared to 53 per cent of customers using *MACPASS*. The other 29 per cent of customers used cash.

MACPASS is also helpful for the environment. Since *MACPASS* users don't have to stop in the toll plaza, idling times are reduced by 81,400 hours a year during peak hour traffic and vehicle emissions are cut by 1,160 tones during peak hours throughout the year.

2007 set the stage for considerable advances in tolling and we look forward to sharing these benefits with the travelling public in 2008.

Toll Payment Methods in 2007



Highest Traffic Day in 2007

Friday, March 30: 113,815 Crossings

Number of Days Exceeding 100,000 Crossings

2007	164
2006	169
2005	150
2004	128
2003	139

Q: How many

annual crossings are on the bridges?

A: In 2007 there were 32,439,059 crossings on the MacKay and Macdonald Bridges

CORPORATE OVERVIEW

Our mission is to provide safe, convenient, efficient and reliable passage for our patrons at an appropriate cost

MANDATE

The Halifax-Dartmouth Bridge Commission (the Commission) is the self-supporting entity that operates two toll bridges, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. It was created in 1950 by a statute of the Province of Nova Scotia and now operates under a statute passed in 2005. In accordance with Section 27 of the *Halifax-Dartmouth Bridge Commission Act*:

27 (1) With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

(2) Where the Government of the Province or the Municipality request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project referred to in subsection (1), the Commission may

(a) conduct such investigation and studies as it considers advisable respecting
  (i) the need or advisability of a transportation project referred to in subsection (1),
  (ii) the proper location of any such transportation project,
  (iii) the manner or method of financing and operating any such transportation project,
  (iv) the probable cost of acquiring lands for the purposes of an additional transportation project and the cost of constructing such transportation project,
  (v) any other matter related to the construction, operation or financing of a transportation project referred to in subsection (1) that the Commission considers relevant;

(b) for the purpose of making investigation and studies, engage expert or technical assistance;

(c) defray the cost of its investigations and studies out of the ordinary revenue of the Commission;

(d) make reports and recommendations to the Government of the Province and the Municipality.

(3) Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

ORGANIZATIONAL STRUCTURE

The Commission has nine Board members. The Governor in Council appoints five members, including the Chair and Vice-Chair and the Halifax Regional Municipality appoints four Councillors to serve on the Board. The provincial Board members in 2007 were: Mr. Tom Calkin (Chair), Mr. Wayne Mason (Vice Chair), Mr. David Covill, Mr. Russell Hatton and Mr. Clint Schofield. Representing Halifax Regional Municipality (HRM) in 2007 were Councillors Bob Harvey, Patrick Murphy and David Hendsbee. Councillors Debbie Hum and Linda Mosher resigned from the Board in 2007. Both Councillors were active on various Board committees and their contributions were greatly appreciated.

Within the Board structure there are four standing committees dealing specifically with:

1. Audit
2. Finance, administration and planning
3. Maintenance
4. Operations, communications and *MACPASS*

The Commission employs 32 administrative and maintenance staff on a permanent basis and approximately 50 members of the Canadian Corps of Commissionaires, on a contract basis. Seasonally the Commission employs almost 50 painters and 11 gardening staff.

In 2007, Steve Snider, the Commission's General Manager and CEO was elected 2nd Vice-President of the International Bridge, Tunnel and Turnpike Association (IBTTA). Steve's election is an acknowledgement of his leadership and commitment to the tolling industry and a tribute to the high regard in which he is held by the international tolling community. The IBTTA is a worldwide alliance of 250 members in 25 countries on six continents of toll operators and associated industries that provides a forum for sharing knowledge and ideas to promote and enhance toll-financed transportation services.

The Board recognizes and appreciates the high level of commitment to excellence demonstrated by the Commission's permanent and contract employees as well as members of the Canadian Corps of Commissionaires.

STRATEGIC GOALS

To carry out its mission, the Commission defined the following goals as strategic for 2007:

1. Complete a needs assessment that allows the Commission to more accurately develop statements of long term cash requirements
2. Develop a Directional Plan communication strategy
3. Focus on strengthening the Commission's relationships with major stakeholders including Department of National Defence, Halifax Regional Municipality and Halifax Port Authority; major bridge customers and including those customers affected by the conversion to axle-based tolling and removal of tokens as dictated by the NSUARB.
4. Efficiently manage the directional flow of traffic in the centre lane of the Angus L. Macdonald Bridge on a traffic demand basis; and
5. Complete development and implementation of the air gap measurement system to assist with the safe transit of large commercial ships underneath the bridges.

Management Discussion & Analysis

For Three Months and Twelve Months Ended December 31, 2007

The date of this Management Discussion & Analysis is **March 20, 2008.**

The Halifax-Dartmouth Bridge Commission (the Commission) is pleased to present its Management Discussion and Analysis with respect to the three months and twelve months ended December 31, 2007. The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of the Commission during the fourth quarter of 2007 relative to 2006 and for the full year ended December 31, 2007 relative to 2006 and 2005. It combines an analysis of trends and year-to-year changes in the results with an outlook to the end of 2008.

This discussion and analysis should be read in conjunction with the Commission's annual audited financial statements and supporting notes for the three months and twelve months ended December 31, 2007. The Commission reports as a government business enterprise as defined by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

The dollar amounts in this presentation are in thousands and in Canadian dollars.

The Commission's web site is **www.hdbc.ca.**

The Management Discussion and Analysis and the audited financial statements for the three months and twelve months ended December 31, 2007 have been approved by the Audit Committee of the Commission and by the Commission.

OVERVIEW

The Commission was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*—Statutes of Nova Scotia, 2005, c.7).

The Commission is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

The Commission consists of nine Commissioners. The Province of Nova Scotia appoints five members including the Chair and Vice Chair, while the Halifax Regional Municipality appoints four Councillors to the Commission.

The Commission reports to the Legislature through the Minister of Finance.

Business

The Commission has operated a two lane bridge, the Angus L. Macdonald Bridge, (the "Macdonald Bridge"), since 1955 (which now has a reversible third lane opened September, 1999) and a four lane bridge, the A. Murray MacKay Bridge, (the "MacKay Bridge"), since 1970.

The Commission has not, at this time, been requested to undertake the construction of a third crossing but is participating in a needs analysis of a third crossing as requested by the Halifax Regional Municipality.

Operation of the bridges and the related approaches includes continuing engineering inspections, routine and long term maintenance, repairs, winter snow and ice clearance, traffic patrols, security measures, toll collection, financial and general administration.

Competition

The Commission does not face competition in any meaningful sense, as the service it provides is unique.

The bridges directly connect the built up areas of Halifax and Dartmouth and generally provide significantly quicker access to the business districts of both communities than do the alternate routes. Pedestrians and bicyclists are not permitted on the MacKay Bridge, but pedestrians may walk and bicyclists ride, across the Macdonald Bridge without charge, in their dedicated lanes.

Those wishing to travel from one side of the Harbour to the other have several means of doing so; among them the bridges operated by the Commission which constitute the most direct route for motor vehicles across the Harbour. The alternatives are a combination of local streets and public highways around Bedford Basin, a distance of approximately 19 kilometres or more, measured from the Dartmouth approach to the Halifax approach of the MacKay Bridge. The ferries operated by Metro Transit carry only pedestrians and bicyclists.

Financial affairs
The Commission manages its own financial affairs within the policies established by the Province of Nova Scotia applicable to Crown corporations and government business enterprises generally. In 2007, the Commission refinanced $60 million of debt.

The Commission is self-supporting financially. It charges tolls to vehicles crossing the bridges and collects additional revenue from other utilities which have installed a water line and cables across the bridges.

Public Utility
For certain purposes, the Commission is deemed to be a public utility and is subject to the general supervisory powers of the Nova Scotia Utility and Review Board (NSUARB).

By the terms of its act of incorporation, the Commission is not subject to the provisions of the Public Utilities Act (Nova Scotia) relating to (a) new construction, improvements, betterments, or extensions to its property; (b) issue of shares, stocks, bonds, debentures or other evidences of indebtedness; (c) proper and adequate depreciation of its assets; and (d) setting up, maintaining, use and disposal of depreciation reserve funds.

Toll rates for the use of the bridges are subject to NSUARB approval.

Securities Regulations
The Commission ceased to be a reporting issuer in the Province of British Columbia effective December 17, 2007 and in the Provinces of Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, and Newfoundland and Labrador effective February 8, 2008. Therefore, the Commission is no longer a reporting issuer in any jurisdiction and is no longer subject to any of the continuous disclosure obligations of reporting issuers.

Q1—2007 Change in Accounting Policies

On January 1, 2007, the Commission adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA Handbook) Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments—Recognition and Measurement*; Section 3861, *Financial Instruments—Disclosure and Presentation*; Section 3865, *Hedges*; and Section 3251, *Equity*. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources.

Under the new standards, all financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale. Also, all financial liabilities must be classified as held for trading or other financial liabilities. Held for trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the financial asset is de-recognized and all cumulative gain or loss is then recognized in net income. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification.

As a result of the adoption of these standards, the Commission has classified its financial instruments as follows: cash as held for trading, accounts receivable as loans and receivables, OM Fund and Debt Service Fund as held for trading, accounts payable and all financial liabilities as other financial liabilities.

2007 NSUARB Ruling

On July 24, 2006, the Commission filed an application to the NSUARB to amend its existing rates, tolls and charges by replacing the present registered gross vehicle weight classifications with an axle-based classification system; to eliminate tokens as a method of payment; and to eliminate the requirement for *MACPASS* users to pay a deposit for the transponders. It should be noted that this application was not for a rate increase but for a change in the method of assessing tolls that is consistent with the methods used by other tolling agencies.

On January 22, 2007, the NSUARB approved the application as presented. As per the NSUARB: the *MACPASS* transponder deposit requirement will be removed and existing transponder deposits refunded by February 29, 2008; and the adoption and implementation of the Commission's new automated vehicle classification and automated toll collection systems will be effective May 1, 2008 at which time, tokens will no longer be accepted as a method of payment for tolls. Tokens will cease to be refunded on July 31, 2008.

2007 Maturity of Toll Revenue Bonds Series 1 and Maturity of the Line of Credit with the Province of Nova Scotia

Dollars in thousands

The Commission's Toll Revenue Bonds Series 1, in the principal amount of $94,379, matured on December 4, 2007. The outstanding Line of Credit with the Province of Nova Scotia in the amount of $12,000 matured on December 5, 2007. These debt liabilities were partially repaid using monies derived from the four reserve funds that were established pursuant to Trust Indenture providing for the issue of the Toll Revenue Bonds Series 1. The maturity of these obligations required that the Commission obtain new financing in the amount of $60,000. The terms and conditions for the new financing were agreed to with the Province of Nova Scotia as of July 25, 2007; $60,000 was borrowed by the Commission under this Agreement and held in a short term investment pending its use to make payment of the Toll Revenue Bonds Series 1 and the Line of Credit with the Province upon their respective maturities. Negotiations are under way with the Province to conclude an agreement regarding a new, $60,000, line of credit to take effect in 2008.

REVIEW OF 2007

The Commission's net and comprehensive income decreased by $847 to $1,140 in Q4 2007 compared to $1,987 in Q4 2006. The Commission's annual net and comprehensive income decreased by $1,147 to $6,505 in 2007 compared to $7,652 in 2006 and $5,383 in 2005.

The major contributing factors to the noted net decreases in both Q4 2007 and 2007 annual figures are summarized as follows:

1. Restricted Funds Investment Income: Increases reflected quarter over quarter and year over year are due to increased investments for the Capital Fund and Sinking Funds which were fully redeemed by November 30, 2007 along with the OM and Debt Service Funds and applied towards the repayment of the Toll Revenue Bonds Series 1 and Line of Credit.
2. Investment Income: Increase is reflective of the recognition of interest earned on the $60,000 short term investment with the Province of Nova Scotia which, when redeemed, was applied to the repayment of the Toll Revenue Bonds Series 1 and Line of Credit. This investment income is offset by the interim interest paid on the $60,000 short term borrowing from the Province of Nova Scotia from July 25, 2007 to December 4, 2007 which is included under the interest on long term debt section.
3. Operating expenses: Major portion of increase due to the "Cross Harbour Traffic Needs Assessment" ongoing study, as requested by the Halifax Regional Municipality and an increase in Commissionaires Nova Scotia expense due to a realignment of duties and responsibilities.
4. Maintenance expenses: Significant increase over 2006 due to toll plaza work at both bridges; bridges' health study; parapet, curb repairs; guardrail post replacement; travellers' maintenance; reprofile expansion joints; and breather joint stringer seats.

Net and Comprehensive Income/Deficit

Dollars in thousands for years ended December 31

	Three Months Ended December 31		Year Ended December 31		
	2007	2006	2007	2006	2005
Toll revenue	$ 5,866	$ 5,901	$ 23,426	$ 23,382	$ 23,059
Other rate revenue	9	1	146	144	102
Restricted funds investment income	377	519	1,992	1,918	1,572
Investment income	502	–	1,020	–	–
Other	152	76	453	433	327
Total Revenue	6,906	**6,497**	27,037	**25,877**	**25,060**
Operating expenses	1,250	1,190	4,823	4,350	4,446
Maintenance expenses	1,314	744	3,913	3,029	3,958
Amortization of property, plant and equipment	1,051	846	3,916	3,793	4,256
Amortization of deferred transponder charges	7	(21)	27	27	65
Interest long-term debt & amortization of deferred financing costs	2,006	1,751	7,801	7,026	6,959
Loss (gain) on disposal of property, plant and equipment	38	–	50	–	(7)
Total Expenses	5,766	**4,510**	20,532	**18,225**	**19,677**
Net and Comprehensive Income	1,140	**1,987**	6,505	**7,652**	**5,383**
Deficit, beginning of year (period)	(40,200)	**(40,104)**	(40,374)	**(40,763)**	**(39,603)**
Appropriation to Restricted Asset Reserve	(4,410)	**(2,257)**	(9,601)	**(7,263)**	**(6,543)**
Redemption of Restricted Asset Reserves	52,800	–	52,800	–	–
Retained Earnings (Deficit), end of year	$ 9,330	**$ (40,374)**	$ 9,330	**$ (40,374)**	**$ (40,763)**

RESULTS OF OPERATIONS

Dollars in thousands

For the year ended December 31, 2007, the Commission's net and comprehensive income was $6,505 as compared to $7,652 in 2006 and $5,383 in 2005. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

Cash on hand for the year ended December 31, 2007 was $7,835 which is held in an interest bearing account. This cash position is up from the 2006 cash position of $7,477.

Revenues

Dollars in thousands

Toll Revenue

Toll Revenue for Q4 2007 decreased by $35 to $5,866 from $5,901 in Q4 2006. Traffic volume for Q4 2007 decreased by 67,555 vehicles, or 0.8223%, under Q4 2006. Annual toll revenue for 2007 increased by $44 from 2006 and increased by $367 over 2005. Traffic volume for 2007 was up by 38,206 vehicles, or 0.1178%, over 2006 and up by 546,401 vehicles, or 1.6844%, over 2005. This slight increase in traffic volume over 2006 can be attributed to a few weather-related disruptions, no major traffic disruptions due to construction projects as closures were planned for off-peak hours, and a general increase in the travelling public utilizing the bridges in 2007 as compared to 2006 and 2005.

Other Rate Revenue

Other rate revenue of $146 in 2007 is up by $2 from 2006 and up $44 from 2005. The increase from 2006 reflects new property access licence agreements and the larger increase over 2005 reflects the retroactive re-negotiated lower rates for cables across the bridges from 2004 and 2005 which were absorbed in 2005. The other rate revenue represents amounts charged to various businesses, utilities and the Halifax Regional Municipality (HRM) for the use of the Macdonald Bridge and the MacKay Bridge to run their cables and a water line from one side of the harbour to the other; a land lease agreement; and payments to the Commission for property access licence agreements.

Restricted Funds Investment Income

Investment income on the Operations and Maintenance (OM) Fund, Debt Service Fund and Capital and Sinking Funds amounted to $1,992 for 2007, compared to $1,918 in 2006 and $1,572 in 2005. The slight increase over 2006 is due to the fact that quarterly investments to the Capital Fund and Sinking Fund, per the Trust Indenture, were only required for the first three quarters of 2007. All four reserve funds were redeemed by November 30, 2007 and funds utilized towards repayment of the Toll Revenue Bonds Series 1 and the outstanding Line of Credit with the Province of Nova Scotia which occurred on December 4th and 5th, 2007, respectively.

Investment Income

Investment income for 2007, in the amount of $1,020, is a stand alone item as it reflects the interest earned on the $60,000 short term investment with the Province of Nova Scotia effective July 25, 2007 and redeemed on December 4, 2007. The funds were used towards the repayment of the Toll Revenue Bonds Series 1 and the outstanding Line of Credit with the Province of Nova Scotia.

Other Revenue

Other revenue in 2007 increased by $20 over 2006 and by $126 over 2005. These increases are primarily due to the Commission having a larger balance in its interest bearing current bank account along with higher interest rates.

Total Revenue

These revenue changes resulted in an increase in total revenue during Q4 2007 of $409 compared to Q4 2006 and an increase in total annual revenue of $1,160 in 2007 over 2006 and an increase of $1,977 over 2005.

Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST/GST it expends on goods and services.

Revenue Outlook

- Toll revenues are expected to increase slightly in 2008 as compared to 2007. This increase is due, in part, to the Commission's elimination of tokens as a method of toll payment, encouragement to switch to *MACPASS* electronic toll collection, and the transition over to the new axle-based toll system. In accordance with the Nova Scotia Utility and Review Board (NSUARB) ruling, these changes are expected to fully take effect by May 1, 2008. A modest increase in the travelling public's usage of the bridges is also anticipated.
- Other rate charges in 2008 are expected to remain the same as in 2007.
- Investment income will decrease in 2008 as compared to 2007. This is a result of the terms of the new long term refinancing agreement. Effective December 4, 2007, the Commission has established a new OM Fund and a new Debt Service Fund. Effective June 4, 2008 and every six months thereafter, for the duration of the loan agreement, the Commission will establish and contribute $900 to a Capital Fund.
- Other income is expected to decrease in 2008 as compared to 2007 due to a lower balance in the Commission's interest bearing current bank account and slightly lower interest rates.

Expenses

Dollars in thousands

Operating and Maintenance Charges (OM)

Operating expenses in Q4 2007 increased by $160 compared to Q4 2006. Annual operating expenses increased by $473 to $4,823 in 2007 from $4,350 in 2006 and increased by $377 from $4,446 in 2005. The major operating expenses that increased in 2007 as compared to 2006 were: professional fees $258; commissionaires $122; *MACPASS* operations $42; insurance $23; wages $13; telephone & communications $7; general and office $7; public relations $3; and bank charges $3. The increase in professional fees is largely due to the "Cross Harbour Traffic Needs Assessment" study currently underway and the increase in commissionaires involves the realignment of duties and responsibilities which affected rank and pay. The following operating expenses decreased during 2007 as compared to 2006: taxes $5.

The increases to be noted as compared to 2005 were for: professional fees $ 310; commissionaires $137; insurance $57; and *MACPASS* operations $51 Decreases to be noted as compared to 2005 were for: wages $92; and public relations $101 (50th Anniversary celebrations in 2005).

Maintenance expenses increased by $570 in Q4 2007 compared to Q4 2006. Annual maintenance expenses increased by $884 to $3,913 in 2007 from $3,029 in 2006 but decreased by $45 from $3,958 in 2005. During 2007, increases were seen in the following major maintenance expense items as compared to 2006: bridge maintenance $744; wages $110; vehicle maintenance $27; landscaping $15; equipment maintenance $14; and light and power $8. The increase in bridge maintenance is attributable to the toll plaza work at both bridges, breather joint stringer seats project, maintenance of bridge travellers, guardrail post replacement project, parapet/curb repairs and continued bridges' health study. The increase in wages is attributable to maintenance projects and more significant winter weather conditions than that of 2006. The major maintenance expense items that decreased during 2007 as compared to 2006 were: building maintenance $20; heating $12; painting $10; and engineers' fees $4.

The increases and decreases to be noted as compared to 2005 were primarily for: decreases in wages $149 and bridge maintenance $23; increases in painting $70, building maintenance $24 and landscaping $27.

Amortization of Property, Plant and Equipment

Amortization (depreciation) of property, plant and equipment for Q4 2007 increased by $205 compared to Q4 2006. Overall amortization of property, plant and equipment for 2007 increased by $125 to $3,918 compared to $3,793 in 2006 but decreased by $338 compared to $4,256 in 2005. The increase in comparison to 2006 is attributable to the completion of a few capital projects during 2007 and the acquisition of two bridge vehicles. The decrease as compared to 2005 is primarily due to a change in accounting estimate in the useful life of the transponders which was extended to December 31, 2017 from October 31, 2010. This change in accounting estimate was reflected in the Commission's annual financial statements for the year ended December 31, 2006.

Amortization of Deferred Transponder Charges

Amortization of deferred transponder charges remained consistent with the charges for 2006 at $27. The decrease of $38 from $65 in 2005 is due to the change in accounting estimate reflected in the extension of the useful life of the transponders which also applies to the amortization period of deferred transponder charges. This change in accounting estimate was reflected in the Commission's annual financial statements for the year ended December 31, 2006 (see Notes to Financial Statements #11).

Interest on Long Term Debt and Amortization of Deferred Financing Costs

Interest on the Toll Revenue Bonds Series 1, accrued and paid up to the maturity date of the bonds on December 4, 2007, amounted to $5,200 for 2007 as compared to a full year of interest paid for 2006 and 2005 in the amount of $5,615.

Interest expense on the Line of Credit with the Province of Nova Scotia decreased by $75 to $541 for 2007 compared to $616 for 2006 and down $8 from $549 for 2005. This is mainly attributable to the reduction in borrowings under the Line of Credit by $5,000 on May 29, 2006 which was offset slightly by higher interest rates experienced in both 2007 and 2006.

An interest expense in the amount of $1,331 was realized for the last two quarters of 2007 as a result of the long term refinancing agreement made with the Province of Nova Scotia on July 25, 2007 for $60,000.

Amortization of deferred financing costs for 2007 decreased by $66 to $729 compared to $795 for 2006 and 2005. The amortization period for 2007 was shortened due to the maturity of the Toll Revenue Bonds Series 1 on December 4, 2007.

Loss on Disposal of Property, Plant and Equipment
The Commission recognized an overall loss on the disposal of property, plant and equipment for 2007 in the amount of $50. This loss is attributable to the disposal of the old painters' building at the A. Murray MacKay Bridge, which was replaced with a new building, and the removal and disposal of the weigh scales at the A. Murray MacKay Bridge toll plaza.

Total Expenses
Expense variations resulted in an increase in total expenses for 2007 of $2,307 to $20,532 from $18,225 for 2006 and an increase of $855 over 2005.

Expense Outlook
- OM expenses are expected to increase significantly in 2008 over 2007 due to planned operational and maintenance projects including a major communications strategy surrounding the elimination of tokens and implementation of the new axle-based toll system, an aggressive painting season, bridge approach resurfacing, bridge access catwalks, anchorage repairs, and increased insurance premiums and professional fees.
- Amortization of property, plant and equipment is expected to increase in 2008 from the amount recorded in 2007 due to the completion of major budgeted capital asset purchases carried over from 2007 and new budgeted capital projects and purchases in 2008.
- Interest expense for 2008 will decrease significantly as compared to 2007 due to the repayment of the Toll Revenue Bonds Series 1, the associated amortization of deferred finance costs and the Line of Credit with the Province of Nova Scotia. The interest expense recorded for 2008 will be for the new Province of Nova Scotia long term loan.

APPROPRIATION TO RESTRICTED ASSETS

Dollars in thousands

As required by the terms of the new $60,000 long term loan agreement with the Province of Nova Scotia, dated July 25, 2007, the Commission has established two reserve funds effective December 4, 2007: the OM Fund at $2,550, which is equal to at least 25% of annual OM expenses budgeted for the following year, and a Debt Service Fund at $1,530, which is equal to at least 50% of annual interest payments budgeted for the following year on the outstanding loan balance. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of retained earnings (deficit) on the Statement of Income, Comprehensive Income and Deficit. OM and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the long term loan agreement.

Under the terms of the new long term loan agreement, the Commission will be required to establish and deposit $900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan.

Appropriation to Restricted Assets Outlook
Under the terms of the new long term loan agreement, the Commission will maintain and contribute to the Capital Fund, OM Fund and Debt Service Fund as required for 2008.

NET INCOME OUTLOOK

- Revenue for 2008 is expected to decrease compared to 2007.
- Expenses for 2008 are expected to decrease significantly compared to 2007.
- Overall, it is expected that net income for 2008 will increase slightly from 2007.

SUMMARY OF QUARTERLY REPORTS

Dollars in thousands for years ended December 31

For the Quarter Ended	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Total Revenues	$ 6,906	$ 7,153	$ 6,533	$ 6,445	$ 6,497	$ 6,554	$ 6,539	$ 6,286
Net Income	$ 1,140	$ 1,390	$ 1,865	$ 2,110	$ 1,987	$ 1,599	$ 2,004	$ 2,061

Quarterly total revenues remained fairly consistent over six of the last eight quarters. Q1 2006 reflects a drop in revenue due to a few severe weather conditions experienced during that quarter and Q3 and Q4 of 2007 include the interest realized for the $60,000 short term investment with the Province of Nova Scotia.

Fluctuations in the net income quarterly results is indicative of the timing of various maintenance projects throughout the last eight quarters and the noted drop in Q3 and Q4 of 2007 for the interest expense associated with the long term refinancing agreement for $60,000 with the Province of Nova Scotia and the bridge maintenance items identified under the Expenses section.

The Commission is a non-share entity incorporated by the Province of Nova Scotia. The Commission has never paid a dividend and the payment of dividends was restricted while the Toll Revenue Bonds Series 1 were outstanding.

BALANCE SHEET

Dollars in thousands for years ended December 31

	2007	2006	2005
Total Assets	$ 82,964	$ 121,079	$ 117,601
Total Long (Short) Term Liabilities	$ 60,621	$ 107,006	$ 111,925

Total assets decreased for 2007 due to the redemption, by November 30, 2007, of the four existing reserve funds, as was required by the Trust Indenture, and the establishment of two new reserve funds, as required by the new long term loan agreement, effective December 4, 2007.

The short term debt component of Total Liabilities for 2007 consists of $3,000 which is the current principal amount due on December 4, 2008 on the $60,000 outstanding loan with the Province of Nova Scotia. The new long term loan agreement, which was made with the Province of Nova Scotia on July 25, 2007, has a final maturity date of December 4, 2019 and bears an average annual interest rate of 5.13%. Interest has been accrued for $226 in Q4 2007.

The Total Liabilities amounts for 2006 and 2005 include the now matured and repaid balances for the Toll Revenue Bonds Series 1 in the amount of $94,379 and the Line of Credit with the Province of Nova Scotia in the amounts of $12,000 and $17,000, respectively.

LIQUIDITY

Dollars in thousands

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the audited financial statements, which indicates a positive cash flow for 2007 of $358 compared to the negative cash flow of $875 for 2006.

Operating Activities

The Commission's operating activities generated $12,898 in positive cash flow during 2007 compared to a $12 929 positive cash flow in 2006. Continued positive cash flow from operations is anticipated for 2008.

Investing Activities
The Commission incurred capital expenditures of $3,090 in Q4 2007, up from $451 in Q4 2006. This increase is primarily due to the ongoing toll system replacement project. Capital expenditures incurred for 2007 are $9,342, up from $1,568 in 2006. This significant increase, in addition to the ongoing toll system replacement project, also reflects: an increase in transponder inventory; the bearing replacement project and the installation of catwalks on the A. Murray MacKay Bridge; construction of a new building for the painters; and the addition of two new bridge vehicles.

Under the terms of the Trust Indenture, the Commission maintained four reserve funds. As required, quarterly contributions to the Capital Fund, in the amount of $750, were made for the first three quarters of 2007 and the amount of $3,331 reflects the greater earnings in this fund until its redemption on November 30, 2007. Similarly, quarterly contributions to the Sinking Fund, in the amount of $500, were made for the first three quarters of 2007 and the amount of $2,190 reflects the greater earnings in this fund until its redemption on November 30, 2007.

The investments for the OM Fund in the amount of $2,550 and the Debt Service Fund in the amount of $1,530 reflect the investing requirements pursuant to the terms of the new long term loan agreement with the Province of Nova Scotia dated July 25, 2007.

Financing Activities
On July 25, 2007 the Commission received $60,000 from the Province of Nova Scotia as proceeds from a long term refinancing loan agreement. The $60,000 was subsequently reinvested with the Province of Nova Scotia until the investment matured on December 4, 2007. These funds, along with the redemption of the four reserve funds, under the Trust Indenture, were utilized towards repayment of the Toll Revenue Bonds Series 1, in the amount of $94,379, on December 4, 2007 and the repayment of the Line of Credit with the Province of Nova Scotia, in the amount of $12,000, on December 5, 2007.

Negotiations are under way with the Province to conclude an agreement regarding a new, $60,000, line of credit to take effect in 2008.

The Commission reduced its Line of Credit with the Province of Nova Scotia by $5,000 in Q2 2006 from $17,000 down to $12,000 on May 29, 2006 and to $0 on December 5, 2007.

CAPITAL RESOURCES

Dollars in thousands

The Commission's capital requirements budget for 2008 is estimated at approximately $9,127 and encompasses major expenditures such as: $3,000 balance for the replacement of the toll system software; $1,000 for the commencement of a three year security upgrade project; $1,200 for traffic management system; $540 for transponder inventory; $600 for bearings and expansion joints waterproofing; and a combined $800 for catwalks at both bridges.

The Commission expects to meet its obligations with cash flows generated from operations and debt financing activities in 2008.

RELATED PARTY TRANSACTIONS

Dollars in thousands

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia.

On July 25, 2007, the Commission entered into a refinancing loan agreement for $60,000 with the Province of Nova Scotia and interest on the short term borrowing for the period from July 25, 2007 to December 4, 2007 amounted to $1,106. The Commission accrued interest on the long term debt from December 5, 2007 to December 31, 2007 in the amount of $226.

FINANCIAL INSTRUMENTS

Dollars in thousands

Credit Facility
The Commission has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2007, no advances were outstanding.

Fair Value of Financial Instruments
Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and long term debt. The carrying values of these financial assets and financial liabilities approximate their fair values.

REPORT FROM MANAGEMENT

Steven Snider (l)
General Manager & CEO

Ken Munro (r)
Treasurer

THE FINANCIAL STATEMENTS and all the information in this Annual Report are the responsibility of management and have been approved by the Commission.

Management prepares the financial statements and is responsible for the integrity and objectivity of this information. The statements have been prepared using Canadian generally accepted accounting principles and methods appropriate to the Commission including where applicable, amounts based on management's best estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Commission maintains a system of internal controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorization practice, that assets are properly safeguarded, and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties.

The Commission is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility, principally through its Audit Committee.

The Audit Committee meets periodically with management and the external auditors to discuss audit and financial matters. In addition, the Committee reviews the unaudited quarterly and audited annual financial statements of the Commission and submits its report and the financial statements to the Commission for approval.

Levy Casey Carter MacLean, Chartered Accountants, the Commission's external auditors are engaged to provide an independent audit of the annual financial statements in accordance with Canadian generally accepted auditing standards. Levy Casey Carter MacLean have full and free access to the Audit Committee.

Steven Snider
General Manager & CEO

Ken Munro
Treasurer

Auditor's Report

To the Chairman and Commissioners of Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2007 and 2006 and the statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
February 28, 2008

Balance Sheet

Dollars in thousands for years ended December 31

	2007	2006
ASSETS		
Current		
Cash *(note 2(e))*	$ [illegible]	$ 7,477
Receivables		
Trade	[illegible]	78
Accrued interest	[illegible]	39
Recoverable HST *(note 4)*	[illegible]	184
Prepaid expenses	[illegible]	439
	8,688	**8,217**
Restricted assets *(note 6)*		
OM Fund	[illegible]	2,659
Debt Service Fund	[illegible]	2,808
Sinking Fund	[illegible]	16,639
Capital Fund	[illegible]	25,172
	4,080	**47,278**
	12,768	**55,495**
Deferred financing costs and discounts, net of accumulated amortization of $8,422 (2006, $7,694) *(note 2(d))*	[illegible]	729
Deferred transponder charges, net of accumulated amortization of $388 (2006, $361) *(note 11)*	[illegible]	296
Property, plant and equipment *(note 5)*	[illegible]	64,559
	$ 82,964	**$ 121,079**
LIABILITIES		
Current		
Payables and accruals, trade	[illegible]	$ 1,022
Project holdbacks payable	[illegible]	360
Accrued payables	[illegible]	449
Refundable customer transponder amounts *(note 11)*	[illegible]	2,304
Deferred revenue *(note 2(b) and note 7)*	[illegible]	3,033
Current portion of long term debt *(note 8)*	[illegible]	–
Toll Revenue Bonds Series 1 *(note 8)*	[illegible]	94,379
Line of credit *(note 8)*	[illegible]	12,000
	11,932	**113,547**
Unearned revenue	[illegible]	55
Supplementary employee retirement plan liability *(note 15)*	[illegible]	572
Long term debt *(note 8)*	[illegible]	–
	69,554	**114,174**
EQUITY		
Reserve for restricted assets *(note 6)*	[illegible]	47,279
Retained Earnings (Deficit)	[illegible]	(40,374)
	13,410	**6,905**
	$ 82,964	**$ 121,079**

Contingencies *(note 16)*

On Behalf of the Commission

Tom Calkin
Chair

Wayne Mason
Vice Chair

Audited Statements of Income, Comprehensive Income and Retained Earnings

Dollars in thousands for years ended December 31

	2007	2006
Revenue		
Toll revenue *(note 2(b))*	$ 23,426	$ 23,382
Other rate revenue	146	144
Investment and sundry income		
Restricted funds investment income	1,992	1,918
Investment income	1,020	–
Other	453	433
Total Revenue	27,037	**25,877**
Expenses		
Operating expenses	4,825	4,350
Maintenance expenses	3,913	3,029
Amortization of property, plant and equipment	3,918	3,793
Amortization of deferred transponder charges	27	27
Interest on long-term debt and amortization of deferred financing costs *(note 9)*	7,601	7,026
Loss on disposal of property, plant and equipment	48	–
Total Expenses	20,532	**18,225**
Net and Comprehensive Income *(note 3)*	6,505	7,652
Deficit, beginning of year	(44,274)	(40,763)
Appropriation to Restricted Asset Reserve *(note 6)*	(9,601)	(7,263)
Redemption of Restricted Asset Reserves *(note 6)*	52,900	–
Retained Earnings (Deficit), end of year	$ 9,330	$ **(40,374)**

Statement of Cash Flows

Dollars in thousands for years ended December 31

		2006
Operating Activities		
Net and Comprehensive Income	$ 6,505	$ 7,652
Amortization of property, plant and equipment	3,918	3,793
Amortization of deferred finance costs	795	795
Amortization of deferred transponder charges	27	27
Unearned Revenue	55	55
Net loss on disposal of property, plant and equipment	48	–
	11,348	12,322
Net change in non-cash operating balances *(note 10)*	1,314	607
	12,662	**12,929**
Investing Activities		
Purchase of property, plant and equipment	(1,113)	(1,568)
Proceeds from disposal of property, plant and equipment	2	–
Investment in Capital Fund	(11,142)	(4,042)
Investment in Sinking Fund	(2,679)	(2,679)
Investment in OM Fund	(544)	(544)
Investment in Debt Service Fund	3	3
Decrease (increase) in Supplementary Employee Retirement Plan liability	26	26
	(15,447)	**(8,804)**
Financing Activities		
Repayment of Line of Credit	(5,000)	(5,000)
Repayment of Toll Revenue Bonds Series 1	–	–
Proceeds from long term financing	–	–
Proceeds from redemption Capital Fund investments	–	–
Proceeds from redemption Sinking Fund investments	–	–
Proceeds from redemption OM Fund investment	–	–
Proceeds from redemption Debt Service Fund investment	–	–
	(5,000)	**(5,000)**
Increase (decrease) in cash during year	(7,785)	**(875)**
Cash, beginning of year	15,262	**8,352**
Cash, end of period	$ 7,477	$ **7,477**

Notes to Financial Statements

December 31, 2007

1. Incorporation

The Halifax-Dartmouth Bridge Commission (the Commission) was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*—Statutes of Nova Scotia, 2005, c.7).

The Commission is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (1)—With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

The Government of the Province or the Municipality may request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (2).

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (3)—Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

2. Significant Accounting Policies

Dollars in thousands

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use Canadian generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of property, plant and equipment

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components, and transponders which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 5. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs were being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f) Investments

Under the terms of the Province of Nova Scotia loan agreement dated July 25, 2007, the Commission will maintain a Debt Service Fund of at least 50% of the annual interest rate and an Operating and Maintenance (OM) Fund of at least 25% of the annual OM expenditures.

g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

h) Other retirement benefit plans (note 15)

The actuarial determination of the accrued benefit obligations for other retirement benefits uses the accumulated benefit method, which is applicable when future salary levels do not affect the amount of employee future benefits.

3. Changes in Accounting Policies

"On January 1, 2007, the Commission adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA Handbook) Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments—Recognition and Measurement*; Section 3861, *Financial Instruments—Disclosure and Presentation*; Section 3865, *Hedges*; and Section 3251, *Equity*. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources.

Under the new standards, all financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale. Also, all financial liabilities must be classified as held for trading or other financial liabilities. Held for trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the financial asset is de-recognized and all cumulative gain or loss is

then recognized in net income. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification.

As a result of the adoption of these standards, the Commission has classified its financial instruments as follows: cash as held for trading, accounts receivable as loans and receivables, OM Fund and Debt Service Fund as held for trading, accounts payable and all financial liabilities as other financial liabilities."

4. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

5. Property, plant and equipment

Please see page 32

6. Restricted Assets

Dollars in thousands

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds were outstanding, the Commission maintained four reserve funds, which were funded from revenues of the Commission, after payment of current operating and maintenance expenses. With the exception of the Capital Fund, the reserve funds were held and invested by the trustee on behalf of the Commission. The four reserve funds were redeemed by November 30, 2007 and the funds received were utilized towards payment of the maturing Toll Revenue Bonds Series 1 on December 4, 2007 in the amount of $94,379 and the outstanding Line of Credit with the Province of Nova Scotia on December 5, 2007 in the amount of $12,000.

The Commission entered into a long term loan agreement with the Province of Nova Scotia on July 25, 2007 for $60,000. This new agreement requires that the Commission maintain two reserve funds effective December 4, 2007 which are the OM Fund and Debt Service Fund.

Under the terms of the new loan agreement, the OM Fund must be maintained at an amount at least equal to 25% of the annual budgeted OM expenses for the year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2007 the OM Fund was held in a cash account and had a market value of $2,550.

Under the terms of the new loan agreement, the Debt Service Fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness. This fund can only be used to pay principal, interest, and fees, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2007 the Debt Service Fund was held in a cash account and had a market value of $1,530.

Under the terms of the new loan agreement, the Commission will be required to establish and deposit $900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan.

7. Deferred Revenue

Dollars in thousands for years ended December 31

	2006
Unredeemed Tokens	$ 1,467
Electronic Toll Collection (ETC) Accounts	1,566
	$ 3,033

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

8. Long Term Debt

Dollars in thousands for years ended December 31

	2006
Debt outstanding at January 1st	$ 111,379
$60,000 Long Term Loan Agreement with the Province of Nova Scotia on July 25, 2007 with a final maturity date of December 4, 2019. The agreement requires eleven consecutive annual installments of $3,000 commencing with an installment payment on December 4, 2008 and for each year thereafter with the final principal repayment amount of $27,000 along with all accrued and unpaid interest thereon due on the final maturity date of December 4, 2019. Interest is payable semi-annually with the first interest payment due on December 4, 2007 and on June 4th and December 4th each year thereafter. The average interest rate over the 12-year period is 5.13%.	–
Debt repaid during the year	(5,000)
Total Debt Outstanding	$ 106,379
Less: Principal debt maturing within one year	(106,379)
Total Long Term Debt	**$ –**

During the year 2007, the Toll Revenue Bonds Series 1, in the amount of $94,379, and the Line of Credit with the Province of Nova Scotia, in the amount of $12,000, matured and were repaid in full.

9. Interest on long (short) term debt and amortization of deferred financing costs

Dollars in thousands for years ended December 31

	2007	2006
Interest on long (short) term debt		
Toll Revenue Bonds (short)	[illegible]	$ 5,615
Line of Credit – $12,000 (short)	[illegible]	616
Long Term Debt – $60,000	[illegible]	–
Amortization of deferred financing costs and discounts	[illegible]	795
	$ 7,801	**$ 7,026**

10. Net change in non-cash operating balances

Dollars in thousands for years ended December 31

	2007	2006
Increase (decrease) in cash from changes in:		
Receivables	$ [illegible]	$ 26
Prepaid expenses	[illegible]	(163)
Payables and accruals	[illegible]	365
Customer transponder amounts	[illegible]	257
Deferred revenue	[illegible]	122
	$ 1,652	**$ 607**

11. Transponders

Dollars in thousands

The Commission has recorded a liability for all deposits received on the issue of transponders to customers (refer to note 18). The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see note 5). In both cases, the transponders are being amortized on a straight-line basis to December 31, 2017.

12. Financial instruments

Dollars in thousands

Credit Facility

The Commission has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2007, no advances were outstanding.

Fair value of financial instruments

Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and long term debt. The carrying values of these financial assets and financial liabilities approximate their fair values.

13. Related party transactions

Dollars in thousands

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia.

On July 25, 2007, the Commission entered into a refinancing loan agreement for $60,000 with the Province of Nova Scotia and interest on the short term borrowing for the period from July 25, 2007 to December 4, 2007 amounted to $1,106. The Commission accrued interest on the long term debt from December 5, 2007 to December 31, 2007 in the amount of $226.

14. Pension plan

Dollars in thousands

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2007. The Commission recognized an expense of $93 representing a 6% pension contribution for 2007 ($86 for 2006).

15. Retirement benefits

Dollars in thousands for years ended December 31

a) Canadian generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $179 (2006 – $218) in retirement benefits at December 31, 2007. A total of ($39) was allocated to administrative and maintenance expenses for the period.

b) The Supplementary Employee Retirement Plan (SERP) is an unfunded defined benefit pension plan which provides for benefits to employees under the following conditions. In summary, benefits are payable for up to ten (10) years commencing at age 60. Benefits are in respect of service prior to January 1, 1991 and no further benefits are being accrued by existing members nor will there be future members under this arrangement. Pension benefits are based on length of service and earnings up to 1991. Benefits are not indexed for inflation either before or after retirement.

A summary of principal pension expense and disclosure information, as required for disclosure purposes pursuant to CICA 3461, for the current fiscal year follows. Actuarial measurements are as of December 31, 2007.

	2007	2006
Components of Net Periodic Pension Cost		
Interest cost	[illegible]	$ 26
Actuarial loss (gain)	[illegible]	–
Past service cost	[illegible]	–
Costs arising, and net periodic pension cost recognized, in the year	[illegible]	**$ 26**

	2007	2006
Weighted-Average Assumptions for Expense and Disclosure		
Discount rate	4.70%	4.70%

	2007	2006
Changes in Accrued Benefit Obligation		
Accrued benefit obligation at end of prior year	$ 572	$ 546
Interest cost	27	26
Benefits paid	–	–
Actuarial loss (gain)	(51)	–
Past service cost	–	–
Accrued benefit obligation at end of period	$ 548	$ 572

	2007	2006
Reconciliation of Funded Status to Accrued Benefit Asset (Liability)		
Excess (Deficit) at end of year	$ (548)	$ (572)
Unamortized net actuarial loss (gain)	–	–
Accrued benefit asset (liability)	$ (548)	$ (572)

16. Contingencies

Dollars in thousands

An accrued liability of $548 has been included in long term liabilities on the Balance Sheet representing the Supplementary Employee Retirement Plan (see Note 14) which is subject to review and approval by the Department of Finance, Province of Nova Scotia.

17. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

18. Subsequent Events

Dollars in thousands

a) The *MACPASS* customer transponder deposit liability will be refunded to the customers' accounts by February 29, 2008 which will remove the liability for Refundable Customer Transponder Amounts.

b) Effective May 1, 2008, tokens will no longer be accepted as a method of payment for tolls. The Commission's liability under Deferred Revenue will still remain as it is expected that the majority of token users will switch to *MACPASS* electronic toll collection. Tokens will cease to be refunded on July 31, 2008.

5. Property, plant and equipment

From page 30

	Rate	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Land		$ 5,735	$ –	$ 5,735	$ 5,735
Buildings	40 years	1,290	250	1,040	1,040
Bridge and bridge components					
Angus L. Macdonald	20 to 85 years	68,586	24,920	43,666	43,666
A. Murray MacKay	15 to 80 years	25,560	14,988	10,572	10,572
Electronic toll transponders	Life Ext. Dec. 31/2007	2,193	1,086	1,107	1,107
Computer equipment	30% d.b.	752	632	120	120
Toll and other equipment	20% d.b.	11,325	9,265	2,060	2,060
Mobile equipment	30% d.b.	1,290	1,031	259	259
		$ 120,849	$ 56,290	$ 64,559	$ 64,559

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WE WELCOME YOUR COMMENTS ON THE 2007 ANNUAL REPORT

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